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7 UNITED STATES BANKRUPTCY COURT

8 SOUTHERN DISTRICT OF CALIFORNIA

9 In re:

10 PEPPERTREE PARK VILLAGES 9 & 10,  
 11 LLC,  
 12 Debtor.

Lead Case No.: 17-05137-LT7  
 (Jointly Administered)

**TRUSTEE'S STATUS REPORT**

Date: April 12, 2023  
 Time: 2:00 p.m.  
 Dept: Three (3)  
 Honorable Laura S. Taylor

13 PEPPERTREE PARK VILLAGES 9 & 10,  
 14 LLC,  
 15 Case No. 17-05137-LT7

16 PEPPERTREE LAND COMPANY,  
 17 Case No. 17-05135-LT11

18 NORTHERN CAPITAL, INC.  
 19 Case No. 17-04845-LT11

20 DUANE SCOTT URQUHART,  
 21 Case No. 17-04846-LT11

22 Debtors.

23 Gerald H. Davis, the chapter 7 trustee (the “**Trustee1 submits this Status Report  
 24 regarding the Status Conference in the case of Peppertree Park Villages 9 & 10, LLC  
 (“**Debtor**”), the four pending motions for approval of chapter 11 administrative claims, and**

25  
 26  
 27  
 28 <sup>1</sup> The Trustee was appointed in this case on June 27, 2022, when Debtor’s case was converted  
 from chapter 11 to chapter 7.

1 pending matters in the related cases of Peppertree Land Company (“PLC”), Northern Capital,  
 2 Inc. (“NCI”), and Duane Scott Urquhart (“Urquhart”).

3 **SALE OF REAL PROPERTY**

4 The Trustee continues his diligent efforts to sell Units 9 and 10 (the “Property”).

5 As explained in previous Status Reports, the Trustee had to terminate the purchase  
 6 agreement with Onyx Construction Group, LLC due to buyer’s failure to perform. Since then,  
 7 the Trustee received a letter of intent from another proposed buyer, but the buyer backed out  
 8 before agreeing to a purchase agreement.

9 At present, the Trustee is evaluating a stalking horse bid, subject to overbid. Assuming  
 10 a purchase and sale agreement is negotiated and executed, the Trustee will file a motion to  
 11 approve overbid auction procedures and other terms of the stalking horse bid. While the bid is  
 12 confidential at this time, the Trustee can disclose that, without an overbid, the amount offered is  
 13 not likely to be sufficient to pay all chapter 11 administrative claims in full, in the amounts  
 14 claimed by the four chapter 11 administrative claimants.

15 **MARKETING EFFORTS**

16 The Trustee engaged Land Advisors Organization (“Broker”), the broker that worked  
 17 with Debtor during the chapter 11 phase of the case, to continue marketing the Real Property for  
 18 sale. (ECF No. 1011). Broker has been very cooperative with the Trustee and agreed to reduce  
 19 its previous commission of 2.25%<sup>2</sup> to 1.35% of the gross sale proceeds.

20 Broker recently advised the Trustee that it is in discussions with several interested  
 21 parties. Broker is encouraging all interested buyers to complete due diligence and prepare for  
 22 an overbid auction.

23 **ENTITLEMENT COOPERATION AGREEMENT**

24 Given the unexpected and unfortunate delay in selling the Property, the Trustee has  
 25 accepted the assistance of the bankruptcy and land use attorneys at Paul Hastings LLP  
 26 (bankruptcy counsel for affiliated debtor NCI) in seeking entitlements of the Property by

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27  
 28 <sup>2</sup> Broker’s commission under its now-expired listing agreement with Debtor was 2.25% of the  
 first \$5 million of gross proceeds and 2.00% of gross proceeds exceeding \$5 million.

1 advancing the Application before the San Diego County Planning Commission and/or  
 2 San Diego County Board of Supervisors (together, “**SD County**”). This assistance is at ***no cost***  
 3 ***to the estate***, other than possible reimbursement of future SD County fees, if any, that are  
 4 advanced by another party, provided that all such fees are pre-approved in writing by the  
 5 Trustee. Such reimbursement would be at a priority level with chapter 11 administrative  
 6 expense claims. A copy of the Entitlement Cooperation Agreement is attached to the Trustee’s  
 7 Status Report filed on January 20, 2023, at ECF No. 1029.

8 This Entitlement Cooperation Agreement allows the entitlement process to move  
 9 forward—under the Trustee’s complete control—while the Trustee continues to market the  
 10 Property for sale. ***The entitlement process will not delay the sale of the Property.*** This process  
 11 is meant to keep the development project alive and moving forward until a sale can be  
 12 consummated and also to potentially increase the value of the Property.

13 On February 28, 2023, the Trustee, his counsel, and the land use attorneys at Paul  
 14 Hastings LLP met via Zoom with several members of the Planning Commission staff to discuss  
 15 the Peppertree project and moving the development application forward.

#### 16 GF CAPITAL LOAN

17 According to documents provided by GF Capital, as of March 13, 2023, the outstanding  
 18 balance of the loan encumbering the Real Property is \$3,740,057.35. The monthly interest-only  
 19 payments continue to be unpaid as the estate has no assets, and the outstanding interest balance  
 20 is \$369,507.47. Moreover, the initial interest rate of 12.000% climbed to 14.50%; but now GF  
 21 Capital is charging interest at the default rate of 22.00%. This loan matured on January 27,  
 22 2023.

23 The Trustee continues his discussions with GF Capital regarding extension of the  
 24 maturity date and/or possible amendment of the loan terms; none of which has been successful  
 25 as yet. The Trustee has also attempted to obtain alternative financing on more favorable terms.

26 Given the rapidly increasing debt on the Property, the Trustee must sell the Property  
 27 soon.

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## **ADMINISTRATIVE CLAIMS BAR DATE**

November 3, 2022, marked the general claims bar date and the administrative claims bar date. Motions to approve administrative claims were filed by Baker Tilly US, LLC f/k/a/ Squar Milner LLP (ECF No. 987), Higgs Fletcher & Mack LLP (ECF No. 991), and Northern Capital, Inc. (ECF No. 993). In addition, Foley & Lardner LLP filed a Notice regarding its claim (ECF No. 982), which is being treated as a motion to approve administrative claim.

Justus Wallace Peppertree Park Villages 7 & 8, LLC filed an Opposition to the administrative claims (ECF No. 1042), and each claimant filed its reply (ECF Nos. 1044, 1051, 1052, 1053).

Hearings on the motions are scheduled for April 12, 2023.

Respectfully submitted,

Dated: April 5, 2023

FINANCIAL LAW GROUP

By: /s/ Christin A. Batt  
Christin A. Batt, Esq.  
Attorneys for Gerald H. Davis, Trustee